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SUBJECT: STRIKE REVEALS PRESSURES AND CHANGES IN SOUTHERN VIETNAM'S  
LABOR MARKET

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11. (SBU) The labor situation in Vietnam is changing. With 400 strikes in 2006 and roughly 300 so far this year, previously banned (and still almost always technically illegal) work stoppages appear to be becoming a routine aspect of labor relations. The recent strike at a large (14,000 employee), Korean-owned shoe factory in Dong Nai province stands out as particularly good example of what drives workers to strike in Vietnam and how these technically illegal labor actions are resolved via a deliberate, consultative process that brings together workers, employers, government officials and other stakeholders. The causes of the strike, including poor management-worker communications and the impact of increasing inflation on wages, are typical in strikes around the world. Inflationary pressures, in particular, mean more strikes are likely in store in the lead up to the early February 2008 Tet (Vietnamese New Year) holiday. End Summary.

#### 14,000 Workers Demanding Increased Benefits

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12. (SBU) Workers at the 100-percent Korean owned Tae Kwang Vina factory in the Bien Hoa Industrial Park of Dong Nai province went on strike from November 27 to December 3, 2007. Vu Thi Thanh Thuy, Nike Vietnam's External Affairs Manager, told the Consulate that Tae Kwang Vina is one of their 40 sub-contactors in Vietnam and was established in 1994 to manufacture Nike shoes for export. At present, this factory (a US\$65 million investment) employs about 14,000 workers, the majority of whom are women aged 18-38. Lam Duy Tinh, the Deputy Director in Charge of Investigation and Labor at Dong Nai province's Department of Labor, War Invalids and Social Affairs (DoLISA) told the Consulate that almost all of the factory's workers were involved in the strike. Their primary demands were an increased Tet holiday bonus of one-half month's salary (on top of the current bonus of one-month's salary), seniority pay, an increased April 30 "Victory Day" holiday bonus, social insurance, annual leave, transportation and "full attendance" allowances.

13. (SBU) The Manager of the Employers' Office of the HCMC branch of the Vietnam Chamber of Commerce and Industry (VCCI), Nguyen Hong Ha, noted that the average salary of Tae Kwang Vina workers of 1 million Vietnamese Dong (VND) per month (roughly US\$62.50) is 20 percent higher than the minimum wage and that working conditions at this factory exceed local standards. Despite

these pluses, workers told factory managers that the nearly 10 percent annual inflation rate means that the price of commodities, food and other necessities have risen faster than the buying power of their wages. Recent news that the government will increase the minimum wage effective January 1, 2008 also created workers expectations that employers would increase salaries commensurately.

#### Resolving Worker Issues

14. (SBU) Observers, including the factory's buyer, Nike, agree that the root causes of the strike included a combination of poor worker-management communication and typical requests for increased wages and allowances. In an example of miscommunication, workers were traditionally given a bonus equivalent to half-a-month's salary on the April 30 holiday every year. This year, however, instead of providing such a bonus package as a lump-sum payment, the factory paid the bonus in 12 equal monthly installments without explanation. When the traditional bonus time came, workers thought that the factory had cut their bonus. This was clearly the easiest aspect of the dispute to resolve; next year the workers will again be given the April 30th holiday bonus as a lump sum. Annual leave was another sore point. Factory management sometimes requested that workers to take annual leave when production is down, but poor communication made the workers believe that they are forced to take leave at times when they do not want to. Clearer guidelines will be issued to interpret the factory's annual leave policy.

15. (SBU) Officials from the Dong Nai provincial DoLISA office agreed that poor communication contributed to the strike, pointing to inaccurate press information on Vietnam's minimum wage system and workers' misunderstanding of the system as additional reasons for the strike. Specifically, Vietnam's Labor Law provides different rates of minimum wages for cities of different sizes -- 1,000,000 dong/month for workers in "type 1" (very large) urban cities such as HCMC, 900,000 dong/month in "type 2" (mid-sized) cities such as Bien Hoa and Binh Duong, and

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800,000 dong/month for "type 3" (smaller) cities and urban areas. DoLISA's Deputy Director said that many workers in Dong Nai (which is adjacent to HCMC) thought that they were eligible for the top minimum wage of 1,000,000 dong/month.

16. (SBU) Other worker demands centered on pay and benefits. Vietnam's new Law on Social Insurance governing maternity leave and social insurance, for example, was amended effective January 1, 2007, but the factory had not yet changed its labor policies to reflect increased benefits available to workers. As part of the negotiations to end the strike, it has now agreed to do so. When workers who take motorbikes or bicycles to work demanded the same transportation allowance that the factory gives to those who take the factory bus, the factory agreed. Lastly, the factory agreed to make the definition of "full attendance" less strict so that it will be easier for workers to qualify for this allowance. The factory did not agree to workers' requests for an increased Tet bonus or seniority pay, but a Nike representative confirmed that the Tae Kwang Vina workers went back to work on Monday, December 3.

17. (SBU) When asked about the strike by EconCouns in Hanoi on Dec 4, Nike's General Manager said that the strike had started when two employees raised a grievance but then quickly escalated as others joined in to make the wage and other demands as noted above. She also characterized the labor action as a "wildcat" strike because it was illegal, but explained there is still a communications problem with the workers in understanding labor law and procedures.

#### Dispute Resolution Mechanisms at Work

18. (SBU) One of the most interesting aspects of this technically illegal strike was the rational governmental response to it. Responding to the strike, the provincial government set up an

interagency working group which consists of officials from Bien Hoa City People's Committee, the provincial DoLISA, the provincial Labor Federation and Dong Nai Industrial Zone Authority. The interagency working group explained to the workers that their requests should be made in accordance with the law and the company's conditions. Local authorities, including provincial Police, DoLISA, Labor Federation and the Management Board of Bien Hoa Industrial Park, stepped in to facilitate dialogue between factory owners and workers. Nike representatives told us Nike put itself in a neutral position to encourage both employers and workers to calm down and negotiate to reach satisfactory solutions. Nike is not involved in monitoring the implementation of the newly reached agreement; this will be monitored by DoLISA. The local police were involved only to the extent that workers caused minor damage to the factory.

Comment:

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¶9. (SBU) The first conclusion to be drawn from the Tae Kwang Vina strike is that the GVN is becoming more relaxed regarding labor disputes, which had traditionally been considered almost as acts of economic sabotage and thus too sensitive to discuss. In contrast, officials from the Dong Nai provincial DoLISA were surprisingly open and forthcoming when we contacted them. Our Nike contacts also assessed DoLISA's actions in this strike as competent and responsive. This new attitude can be seen in legislation as well, particularly the revisions to Chapter 14 of the National Labor Code implemented this year with the intent of making it easier to hold legal strikes. The old rules were so restrictive that virtually none of the roughly 1,000 strikes that have taken place over the past decade were legal. Despite these advances -- and despite a two percent payroll levy (one percent on foreign-invested firms) imposed to support Vietnam's national labor union -- labor representation at the local level remains very weak. As the Tae Kwang Vina strike suggests, however, even though unions remain fairly weak, Vietnamese workers see collective action, including technically illegal strikes, as an effective way to promote their interests.

¶10. (SBU) The second conclusion is that strikes are likely to become more common in the coming months. The industrial zone manager in the Tae Kwang Vina case as well as Nike and other foreign investors in Vietnam remain concerned that that wage pressure resulting from inflation means that labor unrest is likely to get worse toward Tet -- the biggest holiday of the year and the time when Vietnamese need extra money for family gatherings. End comment.

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¶11. (U) This cable was coordinated with Embassy Hanoi.  
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